



Title: I, Payroll/Personnel Manual

Chapter:

Bulletin: Title I, 04-14, Civil Service Retirement System (CSRS) Withholdings for CSRS-Offset Employees Who Are Federal Employees Health Benefits Premium Conversion (HB-PC) Participants

Date: October 15, 2004

To: Holders of the Payroll/Personnel Manual  
Personnel User Groups  
Personnel Offices

This bulletin is being issued to remind agencies of the withholding of retirement contributions for employees who are covered by the Civil Service Retirement System (CSRS) offset and who also participate in a Federal Employees Health Benefits Premium Conversion (HB-PC) Plan.

#### **CSRS-Offset Employees' "Full" Withholding Rate for Retirement Contributions**

CSRS-offset employees are subject to a 7.0, 7.5, or 8.0 percent withholding from their basic pay each pay period for retirement contributions. The specific percentage, referred to as the "full" CSRS withholding rate, depends on the employee's retirement coverage code. (See the table below.)

Code	Definition	"Full" CSRS Withholding Rate
C	FICA and CSRS. Covered by the Federal Insurance Contribution Act (FICA) and CSRS.	7.0%
D	CSRS Offset (Congressional) (FICA) (Legislative Branch employees only)	8.0%
E	FICA and CSRS. Covered by FICA and CSRS. For law enforcement and firefighter personnel.	7.5%

**Note:** To verify the retirement coverage code, access the Information/Research Inquiry System (IRIS) Program IR117, Retirement Data.

#### **Old Age, Survivors, and Disability Insurance (OASDI) Contributions**

CSRS-offset employees are required to have OASDI contributions withheld from their OASDI taxable wages until they reach the OASDI maximum annual earnings amount in the current tax year. (**Note:** The OASDI rate for Tax Year 2004 is 6.2 percent and has a maximum annual earnings amount of \$87,900 with a maximum amount paid by the employee of \$5,449.80.) Until an employee reaches the maximum earnings amount or maximum paid amount (whichever comes first), the "full" CSRS withholding rate is reduced by the OASDI rate so that the total withholding of OASDI plus CSRS

contributions does not exceed the “full” CSRS withholding. When the employee reaches the OASDI maximum earnings amount or maximum paid amount (whichever comes first), OASDI contributions are no longer withheld and the CSRS withholding is fully attributed to CSRS.

### **Federal Employees Health Benefits Premium Conversion (HB-PC) Plan**

The health benefits premiums paid by CSRS-offset participants in the HB-PC Plan **are not subject** to OASDI withholdings; however, they **are subject** to CSRS contribution withholdings at the “full” CSRS withholding rate each pay period (i.e., 7.0, 7.5, or 8.0 percent for 2004).

### **Verifying OASDI Taxable Wages and Deductions**

Agencies may verify the employee’s OASDI taxable wages and contributions year-to-date amounts by accessing IRIS Program IR103, Salary YTD Data.

### **Modifying OASDI Taxable Wages and Deductions**

If agencies determine that the employee’s OASDI taxable wages and/or contributions year-to-date amounts recorded in the Payroll/Personnel System need to be modified, the modifications can be made through one of the following:

- Entry, Processing, Inquiry, and Correction System (EPIC), Program EI5601, Master File Change
- Front-End System Interface (FESI), Record Layout, Master File Change Document 030

### **Examples of Calculating CSRS and OASDI Contributions**

The attachment contains three examples on how to calculate CSRS and OASDI contributions for an HB-PC participant **before, during the pay period, and after** he/she reaches the maximum OASDI annual maximum earnings amount for the current tax year.

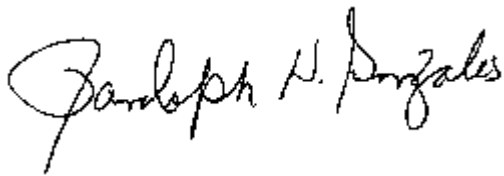
In all of the examples the total amount withheld for retirement contributions is **\$280**, which includes **before** and **after** the employee reaches the OASDI annual maximum earnings amount. The difference, as shown in the examples, is that **before** the OASDI annual maximum earnings amount is reached, OASDI withholdings account for 6.2 percent of the “full” CSRS rate that is applied to OASDI taxable wages. **After** the OASDI annual maximum earnings amount is reached, OASDI withholdings are no longer required and the “full” CSRS rate is applied to the entire basic pay amount, including the HB-PC premium.

**Inquiries**

For more information on the withholding of retirement contributions for CSRS-offset employees who are HB-PC participants, see the following Office of Personnel Management's Retirement and Insurance Service Benefits Administration Letters:

- Retirement and Insurance Service Benefits Administration Letter Number: 02-304, CSRS Withholdings for CSRS-Offset Employees Who Are HB-PC Participants, dated February 6, 2002
- Retirement and Insurance Service Benefits Administration Letter Number: 02-311, CSRS Withholdings for Offset Employees Who Participate in HB-PC, dated May 15, 2002

For questions about policy/regulations, contact your Agriculture Payroll/Personnel User Group (AGPUG) representative or Committee for Agriculture Payroll/Personnel System (CAPPS) representative. For questions about the National Finance Center (NFC) processing, contact the Payroll Operations Branch at **504-255-4630** .



RANDOLPH H. GONZALES, Acting Director  
Government Employees Services Division

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## Example of Calculating CSRS and OASDI Contributions *Before The Employee Reaches the OASDI Maximum Annual Earnings Amount for the Current Tax Year*

The example below illustrates how to calculate CSRS and OASDI contributions for an HB-PC participant **before** he/she reaches the OASDI maximum annual earnings amount (\$87,900 for 2004) for the current tax year.

The employee in this example has a basic pay of \$4,000 a pay period, pays HB-PC health benefit premiums of \$150 a pay period (which is not subject to OASDI withholdings), and is under Retirement Coverage Code C (FICA and CSRS).

Description	Amount
Pay period basic pay	\$ 4,000.00
Nontaxable HB-PC deduction	<u>-150.00</u>
OASDI taxable wages	\$ 3,850.00
<b>Calculate Retirement Contributions</b>	
OASDI contributions (6.2 percent of the OASDI taxable wages of \$3,850)	\$ 238.70
CSRS contributions (.8 percent of the OASDI taxable wages of \$3,850)	30.80
CSRS contributions (7.0 percent of the HB-PC premium of \$150)	<u>+ 10.50</u>
<i>Total retirement contributions</i> (The OASDI plus CSRS withholdings is 7.0 percent of \$4,000)	<b>\$ 280.00</b>

## Example Of Calculating CSRS and OASDI Contributions During the Pay Period the Employee Reaches the OASDI Maximum Annual Earnings Amount for the Current Tax Year

The example below illustrates how to calculate CSRS and OASDI contributions for an HB-PC participant for the **pay period during** which the total OASDI wages for the current tax year reach the OASDI maximum annual earnings amount (\$87,900 for 2004).

The employee in this example has a basic pay of \$4,000 a pay period, pays HB-PC health benefit premiums of \$150 a pay period (which is not subject to OASDI withholdings), has a year-to-date basic pay at the beginning of the pay period of \$87,500, and is under Retirement Coverage Code C (FICA and CSRS).

Description	Amount
Year-to-date basic pay at the beginning of the pay period	\$ 87,500.00
Year-to-date nontaxable HB-PC deduction at the beginning of the pay period	<u>-3,000.00</u>
Year-to-date OASDI taxable wages at the beginning of the pay period	\$ 84,500.00
OASDI taxable wages for the current pay period	<u>+3,400.00</u>
<b>Note:</b> Another \$3,400 will be subject to OASDI withholdings before the OASDI maximum annual earnings amount of \$87,900 is reached. The employee must earn \$3,550 in basic pay, because the \$150 for HB-PC health benefit premiums (\$3,400 plus \$150) is exempt from OASDI withholdings.	
OASDI maximum annual earnings amount (\$87,900 for 2004)	\$ 87,900.00

### Calculate Retirement Contributions

OASDI contributions (6.2 percent of the OASDI taxable wages for the current pay period of \$3,400)	\$ 210.80
CSRS contributions (.8 percent of the OASDI taxable wages for the current pay period of \$3,400)	27.20
CSRS contributions (7.0 percent of the HB-PC premium of \$150 equals \$10.50). This leaves \$450 (\$4,000 minus \$3,550) that is <b>not</b> subject to OASDI withholdings because the OASDI maximum annual earnings amount has been reached; however, since the \$450 is basic pay it is subject to the "full" 7 percent CSRS withholdings (7.0 percent of the remaining basic pay of \$450 equals \$31.50). The \$10.50 plus the \$31.50 equals the "full" CSRS contribution of \$42 for the pay period.	<u>+ 42.00</u>
<i>Total retirement contributions</i> (The OASDI plus CSRS withholdings is 7.0 percent of \$4,000)	\$ 280.00

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## Example of Calculating CSRS and OASDI Contributions *After* the Employee Reaches the OASDI Maximum Annual Earnings Amount for the Current Tax Year

The example below illustrates how to calculate CSRS and OASDI contributions for an HB-PC participant **after** he/she reaches the OASDI maximum annual earnings amount (\$87,900 for 2004) for the current tax year.

The employee in this example has a basic pay of \$4,000 a pay period, pays HB-PC health benefit premiums of \$150 a pay period (which is not subject to OASDI withholdings), and is under Retirement Coverage Code C (FICA and CSRS).

Description	Amount
Pay period basic pay	\$ 4,000.00
<b>Calculate Retirement Contributions</b>	
CSRS contributions (7.0 percent of \$4,000, which includes the HB-PC deduction of \$150) <b>Note:</b> The 7.0 percent is the "full" CSRS withholding rate for Retirement Coverage Code C.	\$ 280.00
<i>Total retirement contributions</i>	<b>\$ 280.00</b>
(CSRS contributions only) <b>Note:</b> Since the employee has reached the OASDI maximum annual earnings amount (\$87,900 for 2004), no wages are subject to OASDI withholdings.	